

Message Text

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PAGE 01 MAPUTO 01447 171219Z
ACTION AF-04

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FM AMEMBASSY MAPUTO
TO SECSTATE WASHDC IMMEDIATE 5327

C O N F I D E N T I A L MAPUTO 1447

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E.O. 11652: GDS
TAGS: EAID
SUBJECT: ADDITIONAL FOOD ASSISTANCE FOR MOZAMBIQUE

REF: STATE 303205

1. EMBASSY IS PLEASED TO LEARN THAT DEPARTMENT IS EXPLORING
THE POSSIBILITY OF OFFERING FOOD AID TO MOZAMBIQUE IN 1977.

2. FOLLOWING ARE EMBASSY COMMENTS ON TITLE I RICE PROGRAM.

A. USUAL MARKETING REQUIREMENTS. ACCORDING EMBASSY'S INFORMATION,
MOZAMBIQUE DID NOT IMPORT RICE FROM NON-COMMUNIST COUNTRIES IN CY'S
1972 THROUGHT 1975. HOWEVER, MOZAMBIQUE DID IMPORT 30,000 MT
FROM PAKISTAN IN 1976. THE TRANSACTION WAS BY COMMERCIAL TENDER.
EMBASSY DOES NOT KNOW IF GPRM PLANS TO LET A SIMILAR TENDER IN
1977.

B. GPRM'S PAST ATTITUDE TOWARDS TITLE I PROGRAM. REFTEL STATEMENT
THAT GPRM HAD PREVIOUSLY REFUSED TITLE I FOOD AID IS INCORRECT.
WHEN EMBASSY DISCUSSED THE \$12.5 OFFSET AID OFFER WITH MINISTER
DEVELOPMENT DOS SANTOS AND NATIONAL DIRECTOR FOR INTERNATIONAL
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PAGE 02 MAPUTO 01447 171219Z

COOPERATION COSME IN MAY 1976, THEY MERELY INDICATED THEIR
PREFERENCE FOR TITLE II OVER TITLE I AID. THIS UNDERSTANDABLE, GIVEN
THE ATTRACTIVE TERMS OF TITLE II FOOD AID OFFER. AT NO TIME DID
THEY SAY THAT GPRM WOULD NOT BE INTERESTED IN A TITLE I PROGRAM.

C. POSSIBLE GPRM RESPONSE TO TITLE I RICE PROGRAM. IN ABSENCE OF

ADDITIONAL INFORMATION NOT AVAILABLE AT EMBASSY, IT DIFFICULT FOR EMBASSY TO RENDER OPINION. BELIEVE GPRM RESPONSE WILL DEPEND ON TWO FACTORS: A) THE PRICE OF TITLE I RICE AS COMPARED TO WORLD MARKET PRICE, AND B) THE SPECIFIC FINANCIAL OR NON-FINANCIAL REQUIRMENTS GPRM MUST UNDERTAKE TO QUALIFY FOR TITLE I AID, I.E. THE FINE PRINT.

1. PRICE: IF PRICE OF TITLE I RICE IS COMPETITIVE WITH WORLD MARKET PRICE, WE BELIEVE GPRM WILL BE INTERESTED; IF PRICE IS MORE THAN TEN PERCENT HIGHER THAN WORLD MARKET PRICE, WE DOUBT GPRM WILL BE INTERESTED. FACT THAT US RICE MAY COST MOZAMBIQUE LESS IN THE END MAY BE LOST ON OFFICIALS WHO WILL BE MAKING FINAL DECISION. MOREOVER, GPRM OFFICIALS DO NOT YET ACT AS IF PRESERVATION OF FOREIGN EXCHANGE IS A MATTER OF URGENCY.

2. THE FINE PRINT. FINANCIAL TERMS AS STATED REFTEL (GRACE PERIOD OF TWO YEARS, THREE PERCENT INTEREST AND REPAYMENT OVER 20 YEARS) ARE OF COURSE ATTRACTIVE. IT IS THE OTHER PROVISIONS OF AGREEMENT, REQUIRED BY US LEGISLATION, AND ABOUT WHICH EMBASSY IS FRANKLY NOT CONVERSANT, WHICH MAY CREATED PROBLEMS, THESE PROVISIONS MAY APPEAR TO USG TO BE PRO-FORMA, BUT GPRM MAY NOT VIEW THEM AS SUCH. IF DEPARTMENT IS ABLE PROVIDE BRIEF DESCRIPTION THESE PROVISIONS, EMBASSY WILL BE ABLE GIVE ITS OPINION WHETHER GPRM LIKELY ACCEPT OFFER.

D. PROVIDED PRICE OF RICE IS CLOSE TO WORLD MARKET PRICE, AND PROVISIONS OF AGREEMENT ARE NOT POLITICALLY OBJECTIONABLE, WE BELIEVE MOZAMBIQUE WOULD BE WILLING AND ABLE TO MAKE A LONG TERM FINANCIAL COMMITMENT.
CONFIDENTIAL

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PAGE 03 MAPUTO 01447 171219Z

3. COMMENTS ON POSSIBLE TITLE II PROGRAM. FROM INFORMATION PROVIDED US BY LOCAL UNDP SOURCES, A TITLE II EMERGENCY FOOD PROGRAM FOR MOZAMBIQUE WOULD APPEAR TO BE JUSTIFIED ON BASIS OF SERIOUS FOOD SHORTAGE THROUGHOUT COUNTRY. ONE OF THE MOST CRITICAL SHORTAGES IS OF CORN (MEALIE MEAL), WHICH IS A STAPLE OF MOZAMBIQUE DIET, AND WHICH MOZAMBIQUE FORMERLY IMPORTED FROM RHODESIA. ALSO, MORE IMPORTS THAN USUAL OF WHEAT AND WHEAT FLOUR WILL BE REQUIRED IN 1977 AS INDICATED IN UNGA REPORT. EMBASSY BELIEVES A STRONG CASE CAN BE MADE FOR TITLE II AID IF COMMODITIES COULD BE MADE AVAILABLE FOR MOZAMBIQUE. OFFER OF SMALL TITLE II PROGRAM WOULD PROBABLY MAKE GPRM MORE RECEPTIVE TO ACCEPTING A TITLE I RICE PROGRAM.
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